

May 10, 2011

The Honorable Mark Jansen, Chair & Members
Michigan State Senate
Committee on Reforms, Restructuring and Reinvention
P.O. Box 30036
Lansing, MI 48909-7536

Dear Chairman Jansen & Members:

My name is Jeff Badman, I'm a retired engineer from the automotive industry and one of many "50-plus" volunteers who prematurely left their professional job during the 2007 automotive crisis. Younger seniors like me left our jobs to enable our company to prosper and many left with hopes of finding a new one here in Michigan. Early retirement was not my immediate goal, it did shortchange my long term security. My annualized gross income is below the 45k threshold and based off a contributory private pension. I've never lived in extravagance, I saved, ... but like other average retirees,I watch every dollar in and out of my wallet. The "senior pension tax" will significantly impact my financial position with immediate risk. Seniors believe in sacrifice within reasonable standards, however this reform brings a whole new meaning to the term "unfair". To that end, the intermediate and long term effects will be devastating.

Here's why:

First, The year to year, combined added load of the pension tax and threatening inflation will accelerate devaluation of my pension benefit

Second, There are few jobs for us younger seniors to backfill this shortfall and quite frankly, for those of us seeking jobs, age discrimination is alive and well in the Michigan job market.

Third As Michigan communities consider millage increases to cover shortages created by this reform, senior property owners will face a new dilemma when we're hit with another local tax burden.

And fourth, As the new tax taken is taken off our backs, I predict Michigan business in any form will not invest our senior funded capital in long term growth but rather they will use it to cover short term cash obligations inside the constraints of a pessimistic national economy. How does this create jobs for me and the many others competing for jobs? How does this plan build the foundation for a decent retirement future in Michigan for seniors and... for our younger people?

We early 50's pensioners have already made our own financial assumptions at the hand of a dismal Michigan economy, but perhaps our biggest **shared sacrifice** unbeknown to Lansing was, **giving up our jobs**. I truly support tax credit incentives for our businesses, but this is going about it the wrong way.

Many other states have economic advantages encouraging me to relocate. Some here in state government originally said there are only 3 states without income tax but that's incorrect. There are 9 other states.

There are 18 states with favorable senior incentives which leverage the lower rate of all combined state taxes. (Kiplingers)

Michigan will no longer be a friendly state for seniors; it will be among the highest taxed. Retirement dollars are just as easily spent in another state as it is here. It sends a clear message to us, "Just Say NO to Michigan" and move before it worsens.

It's my sincere hope that our tax dollars are leveraged with predictably successful business cases to intensely maximize efficiency, The same manner which any person or business has to throttle back in these times, we expect even higher fiscal state responsibility while pursuing a clear, concise business plan to attract new, diversified investment in our state to offset losses of the last 5 years.

As seniors we're counting on you to do that

Thank you very much for your attention today, and consideration.

Jeff Badman

10135 Elgin

Huntington Woods, MI 48070

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Dear Chairman Jansen & Members:

I have been retired one year from Community College Teaching. I declared my intentions to the college in 2009, a year ahead of retirement, so that there would be ample time for my replacement to be hired. Unfortunately, with a date of April 30, 2010 retirement, I was excluded from the pension bonus that was awarded as an incentive last year by the State of Michigan to persuade older faculty like myself to retire. At the time, I was not bitter about this inequity (carefully planning had me retiring with less than colleagues who jumped into retirement at the last moment), but subsequent developments have put me at risk.

My State Pension and Social Security combined should have been enough to cover medical costs, food, housing, transportation, and other daily expenses of a simple lifestyle. However, I have been unable to sell the house from which I moved at retirement and so continue to have large expenses for its upkeep and mortgage each month.

Meanwhile, you are now considering taxing my state pension, a further reduction in income each month. It is beginning to look as if there are few rewards in this world for those who plan ahead--the rules keep changing!

I am sure I am not the only retiree burdened by a house I cannot sell and resulting cash flow problems. Please do not reverse the tax exemption on pensions which is allowing a number of us to make ends meet--barely!

Dr. Margot Haynes
Emeritus Professor of English
Delta College
University Center, MI 49710

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Dear Chairman Jansen & Members:

After teaching for 33 years, I retired four years ago. My take-home salary (pension) is about \$34,000 a year. I am helping my daughter who graduated college a year ago, who wants to remain in Michigan, but who lost a job with a non-profit (through no fault of her own) and has not yet been able to find another job. I can barely make ends meet and I consider myself an extremely frugal person. I don't travel, buy expensive items, etc. In fact, my car is 8 years old and with 50,000 miles on it, I hope to keep it another 8 years. Health care costs, such as premiums, co-pays, prescriptions, etc. continue to rise. Food, gas and daily living expenses also continue to rise. I can't sell my condo or refinance because it has dropped over 50% in value and yet, I must still struggle to make the mortgage payments.

I am **horrified and terrified** at the prospect of losing yet more money out of my pension.

PLEASE re-think any plan to tax pensions of retirees like myself. It is unfair and hurtful to now tax pensions AFTER a person has retired and made financial decisions based on a fixed amount of money coming in.

This is not a sob story nor do I want you to feel sorry for me. I simply want you to allow me to continue to meet my obligations and if you reduce my pension yet further, I will be hard-pressed to do so. The notion of simply walking away from my home and moving to another state, while not something I have ever considered doing, is beginning to look like an option if I lose yet more money from my already meager pension.

I dedicated the best years of my life in the service of the children of Michigan, working long hours at home after the school day to ensure that my students had the best education possible. I took no pay raises for years in order to maintain health benefits.

Please do not harm senior citizens by approving taxes on pensions.

Sincerely,

Susan Grant

6426 Richard Run

West Bloomfield, MI 48322

248-661-8935

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The Honorable Mark Jansen, Chair & Members
Michigan State Senate
Committee on Reforms, Restructuring and Reinvention
P.O. Box 30036
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Dear Chairman Jansen & Members:

My name is Jon I live in Grand Rapids. The reason I'm writing this letter is to voice my deep concern about the Governor's plan to tax pensions of retirees. I worked for 31 years in a metal stamping plant, in conditions that were often "Hell", 120 degrees, in smoke filled work areas and I came in contact with oils, cutting fluids and "God only knows what" over the years. I lost my job in the recent downsizing. I had no plans to retire, but was given an "offer I could not refuse." I'm trying to make ends meet with my small pension, odd jobs and my wife working as a waitress. I have three kids; two are through college, and one starting next year at GVSU. When I made the decision to leave my employer, Michigan's tax treatment of pensions was a major factor in my decision. It is not fair to tax retirees now, i.e. changing the rules, especially to give tax breaks to businesses I already support with my purchasing dollars. My oldest daughter moved to Seattle and wants my wife and me to move there. Actually, she wants the whole family to move. To be honest, I'm running out of reasons to stay in Michigan and this tax change just might be "the straw that breaks the camel's back." It seems that not only will my pension be taxed but it appears that my local taxes, property and other, are also going to increase substantially due to the state's budget proposal. In addition, GVSU's proposed cut in state funding will likely cause an increase in tuition bills for my son. This, while the local businesses get my tax dollars with no conditions that they create any jobs. I don't think most invest those dollars in Michigan. Today, there is NOT a shortage of investment money, trillions are sitting on the side lines, and, as the economy improves and the auto industry turns the corner, these dollars will come into the Michigan economy without additional tax breaks for business and the wealthy. I'm willing to help Michigan, but not on mainly on the backs of retirees and the poor. Many people at the top made lots of money when times were good, we should not be afraid to ask them to help in proportion to the benefits they received. Thank you for your time.

Jon

Kent County, MI

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Dear Chairman Jansen and Members:

I just checked the books and we are "solvent." That is to say, Wednesday is payday and we still have cash in a checking account. (Total savings are below \$10, checking balance is less than \$100. There were only 30 days last month. We could have picked up Peg's computer from the ship on Friday, but it would have wiped us out.

This is a typical month for us, as I have mostly lived payday to payday all my life. There were a few times when we were able to get ahead. I retired early, found a job at S. D. Warren Paper in Muskegon, and made a down payment on this home. Sappi negotiated a number of benefits, (reduced sewage costs, reduced water costs, and reduced taxes...) purchased the paper mill, and I got fired.

Following a series of brain seizures, I lost most of my memory 12 - 13 years ago. (I have worked back from a total vocabulary of "NO." at least four times.

Peg developed very invasive breast cancer five - six years ago. They found two cancer lumps in Muskegon. We went to Cancer Treatment Centers of America the following week for a second opinion. They removed 14 active tumors in emergency surgery. She is in remission, but has been drawing disability since. There is really no prospect that either of us could ever be employed again.

When I was working, a shortfall of \$1,000 or so could be made up with a good week of overtime. Being retired gives a good understanding of what "fixed income" means. Dow Chemical in 1974 told the Union, "Retiree benefits are non-negotiable. The retirees can remain on strike as long as they wish."

With the prospects of the state taxing pensions and social security, I have gone from asking for the occasional senior citizen discount to wearing my AARP membership card to remind the small businesses where I shop that pensions are where my income is coming from.

There is a strange dichotomy in the constant dialogue that "Small businesses create the most new jobs." and "We need to provide tax breaks to attract large corporations to the state." Have they looked at how many corporations actually operate in The Cayman Islands? I am the owner of a small business that never became operational. The County of Muskegon collected \$10 for a DBA.

Wal-Mart is now one of the largest corporations in the world. How many Michigan citizens have middle class incomes due to their employment by Wal-Mart? How many Wal-Mart employees continue to rely on public assistance while working?

Dale C. Humphreys

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Dear Chairman Jansen & Members:

I am a member of AARP residing in Kalamazoo, MI.

I have read with interest today's House passage of the Governor's compromise tax package. I am writing to encourage you to work to improve the individual income tax exemption for retirement income. The compromise does little to help those under the age of 67.

One of the more vexing questions about the discussion, of the retirement exemption is the issue of "fairness." The Governor and his supporters have insisted retirement income needs to be taxed to make the income tax "fair." For all of those years while current retirees were in the workforce, they theoretically paid a higher rate of tax to cover the \$900 million per year was not being collected from retirement income. Now that they are retired, they will be expected to start paying tax to cover the \$900 million (per year) "shortfall." The Governor is fond of trying to eliminate double taxation, but has conveniently overlooked the above scenario. This is classic double taxation - pay to cover the exemption while working - pay with the elimination of the exemption while retired. This would be imposed without any sacrifice for those currently employed.

I think that this aspect of the "compromise" package deserves some review and discussion.

In addition, I see no "shared sacrifice" in this package. The general working population has no increase, while business gets a \$1.8 billion cut. All of this is on the backs of Michigan's seniors and poor.

The compromise represents a major tax increase on residents that generally are living on a limited fixed income. I am a recent retiree that did all of my financial planning based on the existence of the exemption. This House passed compromise will mean an immediate and significant decrease in my disposable income (that is without regard to the new proposed limits on the homestead property tax credit, and contribution credits). While I do have some investments that should yield gains, my pension income is fixed for life, and its value will decrease as inflation takes its toll. In a macro sense, this will reduce, by \$900 million; the amount seniors have available for discretionary spending.

There is no question that the business taxes need some restructuring in Michigan, but not by paying for business tax cuts at the expense of Michigan's resident seniors and other less fortunate residents of our state.

I have made the decision to stay in Michigan during my retirement, but I could change that residency status by spending more time outside the state. The proposed changes, if enacted, would encourage seniors to pack for other locations. The state and local communities would be losing valuable resources that spend money and volunteer countless hours to charitable organizations.

Make no mistake, this is a radical tax increase on those who can least afford to pay. I urge AARP to work to improve this package before Senate passage.

Thank you for your time and consideration.

Rob Crabb
2658 Maple Leaf
Kalamazoo, MI 49009